



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/4/2001

GAIN Report #TU1044

## Turkey

### Grain and Feed

### Grain and Feed Update

2001

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#### **Report Highlights:**

**Due to rising wheat flour and bread prices, traders expect that the Turkish Government will issue import permits before December to allow private sector, and possibly TMO, wheat imports. Rice prices have also increased considerably since the government stopped allowing paddy imports. The current economic crisis has had a significant negative effect on consumer purchasing power and demand. Several prominent newspapers recently carried articles about the effects of Ministry of Agriculture import restrictions on consumer prices and local industries.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ankara [TU1], TU

An article appeared in the Turkish Daily News (TDN) on October 3, 2001 foretelling of bread and edible oil shortages in the near future. Other articles in Sabah discussed banana, rice and bread shortages and general food price increases. While the domestic situation is not exactly a crisis at present, the TDN article confirms, to a certain extent, what grain traders in Ankara and Istanbul have been saying recently. There are different forces driving a shortfall of bread flour, but the result is the same -- higher consumer prices and rumors of future imports.

According to trade and industry sources, due to high corn prices and low quality of wheat, feed wheat was extensively used in feed formulas throughout Turkey early in the season. It appears that much of the feed quality wheat has been exhausted and prices are rising, making the corn price more attractive. The increase in prices has also led farmers to hold onto their existing stocks of wheat and first-crop corn. As first reported in TU1035, traders confirmed ongoing quality problems with the wheat crop, particularly due to heat stress and Sunni pest.

Despite general problems, a good durum crop was reported in Southern Turkey and several sources indicated that Turkish traders had recently exported durum (possibly including 100,000 MT of private durum exports to North Africa). These factors have contributed to a decline in the domestic availability of milling quality wheat. The Turkish Bakeries Federation reports that flour prices increased 85 percent in the past month. In light of the current economic crisis and reduced spending power by consumers, bakers are having difficulties passing the price on to retail customers and are lobbying the government for duty-free wheat imports to lower flour prices. Many point to the high value of the dollar (TL1.58 million = US\$1 compared to TL650,000 to US\$ last year) which significantly increased the costs of imports in local currency and, to a large extent, have lowered the need for high duties.

As a result, there are expectations that there will need to be wheat imports in the near future (end of Oct, early Nov). Many speculate -- and FAS-Ankara tends to agree -- that the government will issue permits for private sector imports. The state grain trading agency (TMO) may also import wheat using GSM-102 financing. The TDN article quoted the Chairman of the Turkish Bakeries Federation as stating that TMO will take all necessary measures and "are even ready to import wheat with zero customs duties" if necessary.

In an article dated October 5, 2001 in the TDN, Ministry of Agriculture and Rural Affairs (MARA) officials were quoted as stating that there was enough wheat in Turkey to meet demands. They also indicated that Turkey would accelerate plans to import wheat (360,000 MT) in accordance with the free trade agreement signed with the European Union. At a meeting of Turkey's High Council of Ministers yesterday, the GOT reportedly gave the green light to the Ministry of Agriculture to begin wheat imports. We presume this also includes possible TMO purchases. According to some trade sources, given the need to relieve domestic flour and bread prices, TMO imports could exceed 200,000-300,000 MT, reminiscent of TMO's entry into the corn import market last year. Turkey's total wheat imports in MY 2001 are currently projected at about 1.5 million, but could be significantly higher if flour exports are realized.

In a series of three widely read articles in Sabah newspaper, journalists and food industry executives also discussed problems which rice, pulses, banana, and garlic importers were experiencing since the Ministry started quantitative limits, and more recently, stopped issuing import control certificates. The industrialists quoted pointed out the significant problems that investors were experiencing in the food industry and the negative effects on consumer prices. Rice prices were reported to have jumped from TL550,000 to over 850,000 lira/kg. in the last month. A food processor discussed the number of employees who would lose their jobs if imports were not permitted.

The Secretary-General of a major industrial association discussed the negative impression that Turkey's (non-tariff) trade barriers give to the outside world and the potential for it to derail potential foreign investment. One article discussed the gist of Ecuador's request for consultations with the GOT about access for bananas, an issue which was recently been elevated at the WTO in Geneva. The Minister of Agriculture responded to these assertions by emphasizing the need for strict control of imports to prevent entry of unhealthy foods. Regarding long delays in issuance of permits for fruits, he expressed concerns about potential ill effects on the health of the children if defective foods are imported without appropriate government controls.

The news articles and general discussions, for the most part, support the USG position that Turkey's non-tariff barriers are not only inconsistent with its WTO commitments, but place an unfair burden on consumers and the general economy. A USTR/USDA Trade and Investment Agreement "import procedures team" will pursue these concerns with Government officials during an upcoming visit to Istanbul and Ankara.

End of Report.